

DANMARKS NATIONALBANK

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The Danish economy is expected to grow by 1.9 per cent this year

The Danish economy is well prepared for a boom

The Danish economy is well prepared for the boom that it is now entering. The economy may continue to expand without any imbalances, but experience also shows that it can overheat suddenly and violently.

The upswing is most pronounced in the labour market, where employment continues to rise. That is Danmarks Nationalbank's conclusion in an analysis of the Danish economy which forecasts growth in the gross domestic product, GDP, of 1.9 per cent in 2018, 1.8 per cent in 2019 and 1.7 per cent in 2020.

The Danish economy is in a boom so it will be natural for the rate of growth to slow a little in a few years' time as spare capacity shrinks.

The economy benefits from developments in Denmark's most important export markets, which have picked up in earnest over the past year. The boom in the USA and the euro area member states is set to be more subdued than in the mid-2000s, but there are risks linked to the development – e.g. due to accommodative US fiscal policy.

Danmarks Nationalbank's projection



GDP

1.9

2018

1.8

2019

1.7

2020



CONSUMER PRICES

0.7

2018

1.5

2019

1.6

2020



EMPLOYMENT

+75,000

Towards the end of 2020



WAGE GROWTH

2.5

2018

3.0

2019

3.3

2020

Danmarks Nationalbank analyses developments in the Danish economy on a regular basis and publishes forecasts of growth and other key indicators twice a year.

In Denmark, several factors are stimulating demand and hence growth in the Danish economy. Consumer confidence is high, and firms are optimistic. At the same time, the general level of interest rates remains very low.

Consumer purchasing power has been increasing in recent years as employment has risen, interest rates have fallen and consumer price inflation has been low. But households have not converted the full increase in incomes into consumption. Savings rates are still high.

There is a risk that the boom will be stronger than predicted, and uncertainty about economic developments is heightened by large-scale disbursements of accumulated contributions to the early retirement scheme and excess property taxes paid.

In the labour market, employment is still rising and unemployment is falling. Since the upswing began,

employment has risen by 180,000. Virtually all of the increase has taken place in the private sector and has been supported by various reforms, e.g. to raise the retirement age. These reforms have helped to ensure a healthier recovery in the labour market than during the period of overheating in the mid-2000s. This trend is set to continue, but at a slower pace. Employment is expected to rise by almost 75,000 by the end of 2020, bringing the total increase in employment since the beginning of 2013 to more than a quarter of a million.

Although the workforce has been expanded, firms are increasingly reporting labour shortages, and labour market pressures can be expected to mount as the Danish economy enters the more advanced phases of the boom.

ABOUT NEWS



News are news articles based on analyses, working papers or other longer texts from Danmarks Nationalbank. News primarily

address journalists, politicians, government officials, specialists and others who want to be updated on current topics.

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SECRETARIAT AND
COMMUNICATIONS



In 2018, Danmarks Nationalbank will be celebrating its 200th anniversary. Danmarks Nationalbank's overall objective has been more or less unchanged during its 200-year life – to “maintain a safe and secure currency system”. But how this is achieved has changed over the years, and tasks are still evolving.

In 2007, Danmarks Nationalbank began to publish projections of the Danish economy. They are part of Danmarks Nationalbank's ongoing assessment of the Danish economy, which provides a basis for its initiatives and recommendations.

Why Danmarks Nationalbank makes economic projections

Danmarks Nationalbank must identify in a timely manner whether economic developments and economic policy entail risks in terms of price development, credit development and the stability of the financial system. That is why Danmarks Nationalbank prepares economic projections.

The projections are an important element of Danmarks Nationalbank's three main objectives: to contribute to ensuring stable prices, safe payments and a stable financial system. Danmarks Nationalbank promotes stable prices by conducting a fixed exchange rate policy vis-à-vis the euro.

Economic projections are an important tool when planning and assessing economic policy, but even the best projections will be subject to considerable uncertainty.

A projection should give as accurate a picture as possible of the position of the economy, where it is heading and whether imbalances are building up.

Danmarks Nationalbank has analysed and prepared forecasts of the Danish economy for many decades but did not begin to publish actual projections of growth, employment and other key economic indicators until 2007.

In the 1970s, Danmarks Nationalbank developed quarterly national accounts before Statistics Denmark began doing so. The aim was to provide an overall picture of the position of the Danish economy, based on all available indicators. This extensive data compilation and processing led to the introduction of Danmarks Nationalbank's macroeconomic model, MONA, which was constructed in the late 1980s and has been revised on a regular basis since then.

Real GDP growth, per cent

